



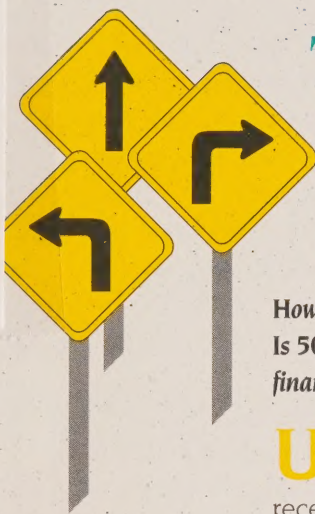
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EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN



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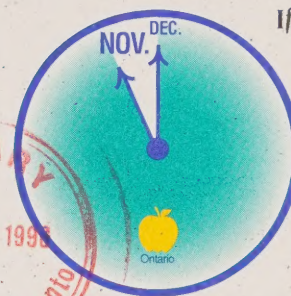


The Choice is Yours: Survivor Pension Options

How much of a survivor pension will your spouse need?
Is 50, 60 or 75% of your pension the best choice for your financial circumstances?

Unless you decide otherwise, when you die after retirement your spouse automatically receives 60% of your teachers' pension.

IT'S THE ELEVENTH HOUR



If you intend to buy pre-'92 credit, we have some friendly advice—

save yourself from needless anxiety by paying now.

YOUR SURVIVOR PENSION OPTIONS IF YOU DIE AFTER RETIREMENT

Options	What you need to do	Cost
Automatic 60% survivor's pension – this is 60% of your teachers' pension	Nothing	The reduction to your pension will depend on the age differential between you and your spouse. The reduction remains in effect even if your spouse dies before you.
Reduce survivor's pension to 50% of your teachers' pension	You and your spouse must sign a <i>Spousal Waiver</i> form. This must be done within 12 months before you go on pension and cannot be revoked once your pension begins.	No reduction to your pension.
Increase survivor's pension to 65, 70 or 75% of your teachers' pension	You must apply at least two years before you go on pension or by age 63. If you miss the deadline, you may still be approved if you pass a medical examination.	The reduction to your pension will depend on the size of the survivor's pension and the age difference between you and your spouse. The reduction remains in effect even if your spouse dies before you.

Your spouse will also receive a survivor pension from CPP.

Continued on page 3

SEND US A POST-DATED CHEQUE

Although you have until the end of December, there is no better time to buy your credit than now. If making your purchase now is inconvenient, you can send us a post-dated cheque.

Either way, you'll have one less thing to worry about and you'll avoid the expected rush of anxious teachers paying at the last minute.

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Ask Us a Question

KNOWING WHEN TO RETIRE

I've heard that retiring when I reach my 90 factor makes the most financial sense. Is this true?

I.D., Sarnia

The answer is, usually. By retiring at your 90 factor—when your age plus your qualifying years equal 90—you're likely to get the most from your contribution to the pension plan. In other words, over time you'll receive the greatest return on your investment in your pension because you'll receive your pension longer.

For example, if your annual pension at your 90 factor is \$30,000 and you decide to work for two more years and collect a pension of \$32,000, you've forgone \$60,000 in pension income. How long at the higher pension of \$32,000 will it take you to make up the difference?

But deciding when it makes the

most financial sense to retire is more complicated. Retiring at your 90 factor may not provide you with a pension adequate to meet your lifestyle needs, especially if you taught part-time for a while. You'll also need to consider any other financial commitments you may have during your retirement, such as a mortgage.

TORONTO MAPLE LEAFS

What's happened to our investment in the Toronto Maple Leafs?

L.K., West Hill

The recent court injunction blocking MLG Ventures Ltd. from amalgamating with Maple Leaf Gardens has not affected ownership of the Toronto Maple Leafs and the Gardens.

The Teachers' Pension Plan continues to own 49% of MLG Ventures; Steve Stavros controls the remaining 51%. MLG Ventures in turn owns 91% of the shares in Maple Leaf Gardens.

The courts will now have to decide if the trustees of the Ballard estate, including Stavro, proceeded properly in selling shares of the Toronto Maple Leafs to MLG Ventures. The court case is expected to be heard next year.

CPP OFFSET BENEFIT

I've never quite understood why I can expect my teachers' pension to be reduced when I turn 65.

W.W., Mississauga

Your contributions to the plan, and the pension you'll eventually receive, are integrated with CPP. When you reach 65, your pension income will consist of your teachers' pension and your CPP pension.

You can retire with an unreduced teachers' pension when you reach your 90 factor—on average teachers retire at age 58. You can collect your unreduced CPP pension when you turn 65.

You receive a CPP offset from the Teachers' Pension Plan from the time you retire to age 65. The amount of the offset is roughly the equivalent of your CPP pension and is intended to supplement your income to age 65. If you decide to collect a reduced CPP pension after age 60, you'll still collect your offset.

Many retired teachers take a reduced CPP pension at age 60. It is these retirees who will likely see their total pension income decrease slightly at 65.

An example illustrating how your pension income is affected when you turn 65 is presented on page 4.

Coming to terms

DEFINED BENEFIT PLAN

You may have heard the Teachers' Pension Plan referred to as a defined benefit

pension plan. In pension parlance, it refers to one of two primary ways of designing a pension plan—the other is a defined contribution or money purchase plan.

What a defined benefit plan means is that the plan promises to pay you a pension based on a

formula. The formula for the teachers' plan is two percent for each year of credit multiplied by your average best-five year's salary. Short-term fluctuations in interest rates or the rate of return on investments do not affect the amount of your teachers' pension. ■



The Choice is Yours: Survivor Pension Options

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YOU CHOOSE

Your pension = 2% pension factor x years of credit x best-five average salary

Jane's pension = 2% x 30 years x \$60,000 = \$36,000

Jane and her husband John are 60 years old. If you and your spouse are different ages, the reduction will be different.

SURVIVOR CHOICE	50%	60%	75%
Jane's total pension, age 60 (with CPP offset)	\$36,000	\$35,531	\$34,827
Jane's teachers' pension only	\$30,000	\$29,531	\$28,827
John's survivor pension	\$15,000	\$18,000	\$22,500

If your spouse is older, you can expect the reductions to your pension to be less. If your spouse is younger, the reduction to your pension will be more.

The reduction to your pension remains in effect even if your spouse dies before you do, and the survivor benefit is not transferable to your new spouse.

To provide a survivor pension of more than 50%, your pension is reduced; the actual amount of the reduction is determined by the survivor pension you choose and the age difference between you and your spouse.

WHO'S ELIGIBLE?

When you die, a survivor pension is paid to the person who was your married or common-law spouse when your pension began. If you do not have a qualified spouse, a 60% survivor pen-

sion is paid to your eligible children. An eligible child is someone who is under 18 and in your legal custody, or between 18 and 25 and attending a recognized post-secondary institution immediately after secondary school, or disabled.

If you have neither spouse nor eligible children, you can designate a dependent relative as your survivor. A dependent relative must be totally dependent on you when you die (for example, a disabled, orphaned grand-

child). If you don't name a survivor, and the value of your contributions exceeds the value of the payments made to you and your survivors, we'll refund the difference to your estate.

Who's Eligible	How Much
Spouse	50 – 75%
Eligible children	60%
Estate	residue of contribution

WHAT IF YOU SEPARATE OR DIVORCE?


If you're married and separate before your pension begins, your spouse is not entitled to a survivor pension. However, the value of your pension is taken into account in your settlement.

After your pension begins, if you separate, divorce and remarry, you can provide a survivor pension to your new spouse if your original spouse dies. This provision, however, is currently under review by Revenue Canada.



NEXT ISSUE

Survivor benefits are different if you die before retirement. We'll discuss these benefits in the next issue.

For more information, request the memo *Choosing a Survivor Pension* by calling Phone-A-Memo, day or night, and pressing 9 to leave a message—be sure to leave your name and complete mailing address. 

What's Your 90 Factor Date?

It's at this time of year that some more senior teachers begin to ask, "how soon before I can retire with an unreduced pension?"

You'll find this date on your annual statement listed under, "retirement date for unreduced pension (if you continue teaching)." You should have received your annual statement in August.

THE 90 FACTOR

When your age plus your qualifying years equal 90, you're eligible for an unreduced pension, even if you're not yet 55.

QUALIFYING YEARS

Your qualifying years represent the length of your teaching career, and are used to determine *when* you're

eligible for a pension, not how much money you'll receive.

You can determine your current factor by adding your age plus qualifying years. Check your annual statement for your total qualifying years—if you've already taught more than 20 days this fall, add another qualifying year.

Example

Ruth is 53 years old and has 27 qualifying years.

$$53 + 27 = 80 \text{ factor}$$

If Ruth continues to teach, she will be eligible for an unreduced pension in five years.

CREDIT

This is the actual number of years, months and days that you have taught or contributed to the plan. We use this figure to calculate the *amount* of your pension. ■

MEASURING YOUR QUALIFYING YEARS

Because of changes in the plan, there are different rules for measuring your qualifying years.

For the school years

before September 1, 1990

after September 1, 1990

Teaching days needed for one qualifying year

at least half a day

more than 20 days

Example

If you teach 45 days during the 1994/95 school year, you'll earn 45 days of credit and one qualifying year of service.

BROCHURE WINS NATIONAL AWARD

Your Pension Plan Guide, a brochure explaining pension plan benefits to members, won an award of Merit in the 1994 Silver Leaf Program.

The brochure was judged for its design, clarity, purpose and cost effectiveness.

The award from the International Association of Business Communicators, is a major accomplishment. The guide competed in a field of nearly 200 entrants representing what is considered to be the best in organizational communications in Canada. ■

Ask us a question • CPP OFFSET

Continued from page 2

Example

Lee retired in June 1990 at age 61 with 29 years of credit and an average

best-five years' salary of \$50,000. She collected her CPP offset until age 65 and chose to collect a reduced CPP pension at 61. What if Lee had waited until 65 to collect CPP?

	If Lee had waited until age 65 to collect her CPP pension		Lee begins collecting a reduced CPP pension at 61	
	July 1990 61	July 1994 65	July 1990 61	July 1994 65
TPP pension	\$ 24,230	\$ 27,311	\$ 24,230	\$ 27,311
CPP offset	4,770	—	4,770	—
CPP pension	—	8,333	5,263	6,052
Old age security	—	4,653	—	4,653
Total	\$ 29,000	\$ 40,297	\$ 34,263	\$ 38,016

(Amounts at age 65 have been adjusted for inflation.) ■



Thinking About Retiring Early?

Here's How to Estimate Your Reduced Pension

Cally retired early to join her husband who had retired in 1992. Tom retired early to complete the novel he has been writing, off and on now, for seven years.

Choosing when to retire is a personal decision. If you're considering retiring before you reach your 90 factor, you'll need to decide whether it is better for you to take less money today but start your pension earlier, or continue working and receive a larger pension later.

HOW EARLY CAN YOU RETIRE?

You can take a reduced pension any time after you turn 55.

ESTIMATING YOUR REDUCED PENSION

Your reduced pension is calculated just like a regular retirement pension, and then reduced by five percent for each point that you're under the 90 factor or for each year you're under age 65, whichever is less.

You'll need to know your years of credit, which is the actual time you have taught or contributed to the plan, and an estimate of your average best-five years' salary. If you are not close to retirement, you may want to use your current salary as your average best-five salary.

ESTIMATING YOUR REDUCED PENSION – AN EXAMPLE

Doug is 56 years of age and has 27 years of credit and 30 qualifying years.

Doug's average best-five salary is \$60,000. His factor is 86.

Pension factor of 2%	x	Years of Credit	x	Average 'best 5' salary	=	Annual Pension
2%	x	27 years	x	\$60,000	=	\$32,400

reduced by the lesser of

- $5\% \times (65 - \text{your age})$ 9 years = 45%
 - $5\% \times (\text{the number of points away from your 90 factor, or } 90 - 86)$ 4 points = 20%
- then*

$20\% \times (\text{unreduced pension}) \$32,400 = \$6,480$

therefore


Annual Pension		Reduced by 20%		Reduced annual pension
\$32,400	–	\$6,480	=	\$25,920

Why the five percent penalty? Well, it isn't really a penalty. It is an estimate of the cost to the pension plan of your retiring early. If you retire early, you could reasonably expect to live longer on pension. The five percent penalty, which is stipulated in the plan, ensures that the value of the reduced pension payable immediately is about the same as the value of the unreduced deferred pension.

DEFERRED PENSION OPTION

If you leave teaching before you're 55 or you reach your 90 factor, you can leave your vested pension benefit in the plan and apply for a pension in the future. Once you're at least 55, we'll use your age when you apply for your pension to determine your reduction.

APPLYING FOR YOUR PENSION

Whether you choose a reduced or unreduced pension, the process is the same. To begin the process of receiving a pension, simply call your customer service specialist. When you call, your customer service specialist will review your file and ask you to complete any additional forms. It's a good idea to leave as much time as you can to start the process—we suggest about three months before you want your pension to begin. If you need an estimate of your pension income before giving your employer notice, just call us and we'll be glad to provide you with this information. 

REAL-LIFE RETIREMENT

*We heard about this story
through the grapevine.*

Former Teacher Cultivates Dream

To hear Jackie Gwisdek describe it, it was love at first sight. The first time the recently retired Oakville teacher and her husband Heinz saw the 30-acre Whistle Hill Farm, they fell in love with it. The farm is located on the Beamsville Bench, which is a low-lying portion of the Niagara Escarpment and the place where the best grapes in the region are grown. The farm also boasts a beautiful panoramic view of Lake Ontario, from Hamilton to the Scarborough Bluffs.

They didn't know the first thing about growing grapes when they purchased the property five years ago, but they did know they wanted to retire there. They've learned a great deal since then, the way you'd expect a teacher to learn about

most things—by reading books and by asking questions. Soon after they took over Whistle Hill, they planted nine varieties of grapes including Cabernet Sauvignon, Chardonnay, Merlot, Riesling and Vidal. It takes about three years, and constant care, for newly planted vines to begin producing wine-making grapes. Last autumn they harvested grapes from the vines they planted.

Like teaching, Jackie has found farming a continuous learning experience, and a great deal of work. Before you can enjoy the glory days of the harvest, there is machinery to keep in good repair, pruning, tying, cultivating, spraying, and trimming.

Jackie retired with her 90 factor after 33 years of teaching. She gets plenty of exercise and fresh air tending to her vines. The busiest time of year for her is from April to October, and although farming is a great deal of work, she considers her second career absolutely wonderful. Most of the

grapes grown at Whistle Hill are sold to Vincor which produces Brights, Cartier and Inniskillin wines. The company is well known for such brands as L'Ambiance, Sawmill Creek, Entre Lacs, Inniskillin Ice Wine, Jackson-Triggs Varietals and many more. They have a five-year contract to supply the winery.

Jackie retired from teaching a year ago last June. At various times in her career, she taught children in grades 5, 6, 7 and 8 in several schools in Halton Region. Her husband recently retired from the Toronto Stock Exchange. They plan to sell their Oakville home and live at the farm year-round.

"Before I retired, I knew nothing about grapes or farming," explains Jackie. "The farm has brought us a different lifestyle which we love and hope to continue for a long time." ■

TEACHERS' HAS VINCOR ASSETS

There is an interesting connection with the Teachers' Pension Plan. Last October, Teachers' invested \$12 million in Brights Winery, shortly before it merged with Cartier-Inniskillin. This summer the company changed its name to Vincor. We own about 24% of the company. Vincor is the largest winery in Canada and the eighth largest in North America. In addition to operating vineyards in the Niagara region and wineries in New Brunswick, Quebec, Ontario and British Columbia, Vincor owns and operates 129 Wine Rack retail outlets in Ontario.



Jackie Gwisdek at her farm with the fruits of her labour.



“ I still see a great deal of vacant retail space in my community. The pension board shouldn't be foolishly investing in shopping malls ”

CONSIDER THIS:

- So far this year, real estate is one of our best performing assets.
- Our \$642 million real estate portfolio is about 2% of our total assets.
- This is an ideal time to buy retail property because prime real estate is available at attractive prices.
- Real estate is also an excellent hedge against inflation. When inflation is on the rise, the price of real estate increases.
- The plan fully or partially owns nine shopping centres across Canada—Bayshore, Nepean; Chinook Centre, Calgary; Intercity Shopping Centre, Thunder Bay; Hillcrest Mall, Richmond Hill; Markville Shopping Centre, Markham; New Sudbury Shopping Centre, Sudbury; Polo Park, Winnipeg; Richmond Centre, Richmond and Southland Mall, Regina.

Four-year Average Reaches 13.1% Despite Negative Short-term Returns

An excerpt from a speech by Gerald Bouey, Chairperson of the Ontario Teachers' Pension Plan, to the OTF Board of Governors on August 23, 1994.

As you know, the pension plan's goal is to earn an average annual return of 4.5 percent plus inflation over the long term. As I have stated often, earning that level of return on a consistent basis is not as easy as many people imagine.

Certainly we have made a very good start in the past few years. We began to diversify the asset base in 1990. Since then, our benchmark of 4.5 percent real rate of return plus inflation translates into a 6.9 percent objective.

The pension plan has in fact earned 13.1 percent annualized since June 1990.

That's the good news. But as I have often warned, we can expect periods of little or even negative returns. That happened in the first

six months of this year.

The return on the Teachers' Pension Plan was minus 3 percent. Negative, but much better than the market. The return on Canadian bonds was about minus 10 percent. The return on the Toronto Stock Exchange was minus 5.7 percent.

Why did we do better? Because of diversification from debentures, the management of our bond portfolio and the performance of international stocks.

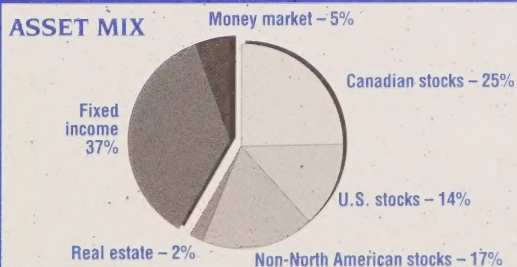
In all of this, there is a lesson. The inherent volatility of capital markets in the short term should encourage the building of a safety cushion against future losses.

How will the negative returns in the first half of this year affect our recent long-term performance of 13.1 percent? Right now, the impact will be slight. Certainly it poses no risk to our investment objective of 4.5 percent plus the inflation rate on a four-year moving average. ☀

SIX MONTH INVESTMENT REPORT

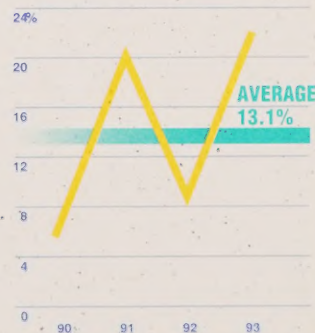
(to the end of June 1994)

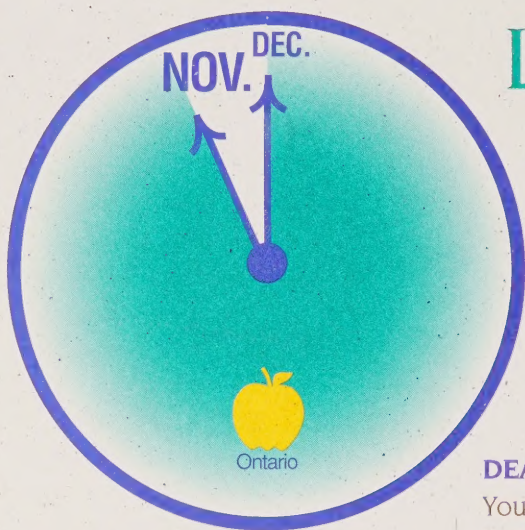
ASSET MIX



The asset mix is currently 58% equities or stocks, and 42% fixed income securities—primarily Ontario Government debentures. We expect to complete the diversification of two thirds of our assets into Canadian and foreign stocks, private placements and real estate by next year.

RATE OF RETURN (four-year average) **13.1%**





Last Chance to Buy

to retire earlier with an unreduced pension.

DEADLINE IS FINAL

Your payment must be in our office by December 31, 1994. Payment received after this time; for even the best of reasons, will not be allowed. So do yourself a favour, get your payment in now.

COMPUTER DRAW

We will notify winners by the end of the year.

HOT LINE

If you were approved to buy pre-'92 credit before 1992 and you have any questions, call the special Purchase Hotline: Monday to Thursday, 7:00 a.m. to 11:00 p.m.; Friday, 7:00 a.m. to 5:00 p.m. and Sunday, 9:00 a.m. to 6:00 p.m.

(416) 730-5335

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If you're still wondering whether to buy credit, consider this:

- This is your last chance to buy credit under the old rules where cost is based on contributions plus interest. If you miss the December deadline, you'll have to reapply to buy credit. If approved, you'll pay based on actuarial cost, which is generally more expensive.
- Buying credit gives you a higher pension when you retire and, if the purchase gives you credit in a school year in which you previously had none, can allow you

OTF PERSONAL PLANNING WORKSHOPS

For more information, contact your federation or association.

Nov. 25-26	Hamilton
Dec. 9-10	Peterborough
Jan. 13-14	Metro Toronto
Jan. 27-28	Oakville
Feb. 10-11	Sarnia
March 3-4	Newmarket
March 31-April 1	Owen Sound
April 28-29	Thunder Bay

PHONE-A-MEMO

Metro Toronto
226-4200

Toll-free
1-800-387-0945

Hours of operation:
Anytime

EXCHANGE

is a publication prepared by the Ontario Teachers' Pension Plan Board. We welcome your comments and suggestions. Feel free to call the editor, John Cappelletti, at (416) 730-5351 or write to:

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MOVING?

**DON'T FORGET TO SEND
US YOUR NEW ADDRESS**

All our publications are now sent to you at your home address, including information of personal interest to you, such as your annual statement of benefits. If we don't know where you are, we can't reach you!

NAME _____

SIN _____

ADDRESS _____

